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OFFICE OF THE COUNTY AUDITOR INTEROFFICE MEMORANDUM

TO: All Council Members
FROM: Lauren M. Smelkinson, County Auditor
DATE: April 29, 2019
SUBJECT: Addendum to Council Meeting Notes

Please find attached an addendum (FM-2) to the Council Meeting Notes issued April 25, 2019. This item will be discussed at the April 30, 2019 work session for the May 6, 2019 Council meeting.

Attachment

cc: notes distribution list

Office of Budget and Finance

Employee Benefit Consulting Services

The Administration is requesting an amendment to a contract with Bolton Partners, Inc. to continue providing financial and actuarial consulting services for Baltimore County employee and retiree health benefit plans. The original contract expired November 28, 2018. The proposed amendment retroactively extends the original contract to June 30, 2019 to avoid an interruption in services while the County finalizes the terms of a new contract for these services. The original contract states that compensation may not exceed the amount appropriated for these services. Estimated compensation for the additional approximate 7-month period totals \$120,000, increasing the estimated compensation for the entire approximate 3-year and 7-month term from \$396,345 to \$516,345. See Exhibit A.

Fiscal Summary

Funding Source	Contract Amendment	Current Total Compensation	Amended Total Compensation
County ⁽¹⁾	\$ 120,000	\$ 396,345	\$ 516,345
State	--	--	--
Federal	--	--	--
Other	--	--	--
Total	\$ 120,000 ⁽²⁾	\$ 396,345	\$ 516,345 ⁽³⁾

⁽¹⁾ General Fund Operating Budget.

⁽²⁾ Estimated compensation for the additional approximate 7-month period.

⁽³⁾ Estimated compensation for the entire approximate 3-year and 7-month term, including the additional approximate 7-month period.

Analysis

Under the proposed amendment, the contractor will continue to provide consulting services for the County's employee and retiree health benefit plans. Contract services include development of recommended reserve amounts for health insurance claims incurred but not reported, review and determination of health insurance premium rates, assistance with enrollment process re-design, preparation of Federal- and State-mandated filings, preparation and review of competitive

bids for third-party administration of County benefit plan services and programs, comparison of County offerings and costs to similar-sized employers, and analysis of the County's Other Post-Employment Benefits (OPEB) funding. The Office advised that hourly rates range from \$68 for support staff to \$282.50 for the principal consultant, or a blended rate of \$233.36.

The Office advised that the proposed amendment is necessary since the current contract expired November 28, 2018, and the County requires additional time to finalize the terms of a long-term agreement. The Office also advised that a new contract for these services, which will be effective July 1, 2019, will be submitted for Council approval in the near future.

On June 6, 2016, the Council approved the original 3-year contract (effective November 29, 2015), which expired on November 28, 2018. The proposed amendment retroactively extends the original contract to June 30, 2019. The original contract states that compensation may not exceed the amount appropriated for these services. Estimated compensation for the additional approximate 7-month period totals \$120,000, increasing the estimated compensation for the entire approximate 3-year and 7-month period from \$396,345 to \$516,345. All other terms and conditions remain the same. The County may terminate the agreement by providing 30 days prior written notice.

The original contract was awarded on a noncompetitive basis due to the contractor's extensive experience and knowledge of Baltimore County employee and retiree health benefit plans. The Office advised that the contractor has been providing similar services to the County since October 2001.

On March 16, 2015, the Council approved an approximate 4-year and 9-month contract with Bolton Partners, Inc. (effective January 9, 2015) not to exceed \$1,824,000 to provide actuarial services for the Employees' Retirement System. The contract expires June 30, 2019. According to the County's financial system, as of April 8, 2019, \$1,324,713 had been expended under this contract. FM-1 on this agenda is a 5-year and 3-month contract with Korn Ferry (US) to provide similar services.

County Charter, Section 715, requires that "any contract must be approved by the County Council before it is executed if the contract is...for services for a term in excess of two years or involving the expenditure of more than \$25,000 per year...." As previously mentioned, the proposed contract amendment commenced November 29, 2018; the Office advised that as of March 2019, the value of services incurred totaled \$93,232. We believe this situation may constitute a violation of the aforementioned section of the County Charter.